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INFO RUCNCLS/ALL SOUTH AND CENTRAL ASIA COLLECTIVE
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RUEHAK/AMEMBASSY ANKARA 4385
RUEHBJ/AMEMBASSY BEIJING 2197
RUEHKO/AMEMBASSY TOKYO 2062
RUEHIT/AMCONSUL ISTANBUL 2633
RUCPDO/DEPT OF COMMERCE WASHDC
RHMFISS/CDR USCENCOM MACDILL AFB FL
RUEAIIA/CIA WASHDC
RHEFDIA/DIA WASHDC
RUEKJCS/JOINT STAFF WASHDC
RHEHNSC/NSC WASHDC
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C O N F I D E N T I A L ASHGABAT 001345

SIPDIS

STATE FOR SCA/CEN AND NEA/IR,EEB
PLEASE PASS TO USTDA DAN STEIN
USEU FOR SPECIAL ENVOY GRAY
ENERGY FOR EKIMOFF/THOMPSON
COMMERCE FOR HUEPER

E.O. 12958: DECL: 10/09/2018

TAGS: [PGOV](#) [PINR](#) [PREL](#) [EPET](#) [IR](#) [TX](#)

SUBJECT: TURKMENISTAN AND IRAN: FLOATING PRICE GAS DEAL
STILL UNDER NEGOTIATION

Classified By: Charge d'Affaires Sylvia Reed Curran. Reasons 1.4(b) and (d).

11. (C) A Turkish diplomat confirmed to us today that notwithstanding earlier press reports to the contrary, no deal has been reached whereby Iran would purchase gas from Turkmenistan according to a floating price formula beginning next year. The diplomat, Hakan Chengiz (please protect), told emboff that last spring, following a dispute between the two countries, Turkmenistan had renegotiated the price from the existing USD 65 per 1000 CM to USD 140 per 1000 CM. (COMMENT: The Polish ambassador told us that the Iranian ambassador said this price is only good until the end of this year. END COMMENT.) Under the previous framework agreement between the two countries, Turkmenistan had agreed to sell Iran "up to 14 BCM per year" at USD 65 per 1000 CM, but had overcontracted its gas export capacity and found itself in a bind. At the time, Turkmenistan said publicly that Iran had failed to maintain the gas pipeline on its end and that it wanted to renegotiate the selling price. That dispute culminated in Turkmenistan's cutting off gas exports to Iran for three months. In reality, it appears, Turkmenistan had just entered into a new sales agreement with the Russian firm Gazprom and had to find a way out of its deal with the Iranians. According to Chengiz, and based upon his conversations with Iranian diplomats in Ashgabat, Iran would like to import much more than 14 BCM per year. He said it desperately needs the extra fuel to meet the demand for energy by residents in the northeastern region of country.

12. (C) Chengiz said that after the record cold last winter, Turkmenistan is operating at full-capacity to fulfill its targeted production of 82 BCM this year. Iran, he said, is aware that the only way for it to increase future imports from Turkmenistan is to somehow cut into the future shares already promised to Russian and China, as much as 50 and 40 BCM, respectively. A Turkmen team of negotiators dispatched to Teheran last month failed to reach an agreement with the Iranians, but there are plans to continue the negotiations

following the Economic Cooperation Organization (ECO) meeting scheduled for later this month in Teheran. Chengiz said that in addition to natural gas, Iran also hopes to begin importing liquefied natural gas from Turkmenistan, to be transported via tanker from the Caspian Sea port of Turkmenbashi.

13. (C) COMMENT: Iran clearly needs more gas from Turkmenistan and, when push came to shove, was willing to pay more than double what had previously been agreed. Iran may ultimately agree to pay the floating price, but attempt to make that contingent on Turkmenistan agreeing to higher exports. Turkmenistan indisputably has the upper hand in these negotiations. END COMMENT.
CURRAN